

TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 14

ATTACHMENT(S): 3

ACTION: _____

DATE OF MEETING: February 2, 2000

INFORMATION: X

PRESENTER(S): Mr. Mitchell

The following is a summary of the developments in the financial markets that have occurred between January 1, 2000 and January 19, 2000.

1. The yield on the 30-year U.S. Treasury bond has increased from 6.48% to 6.75%.
2. The market level of the S&P 500 Index has decreased from 1469 to 1455.
3. The U.S. dollar has remained unchanged compared to euro (1.01 to 1.01) while strengthening against pound sterling (1.62 to 1.64) and yen (103 to 106).
4. The Federal Reserve Board of Governors will hold their next meeting on February 1, 2000. The Federal Reserve is expected to increase the targeted Federal Funds rate by $\frac{1}{4}$ of one percent to 5.75%.
5. The price of oil broke the \$29 per barrel mark on January 18, 2000. This represents more than 100% increase over the past twelve months. On February 16, 1999 the price per barrel of oil registered a low of \$13.

California State Teachers' Retirement System
Investment Summary
For the Period ended December 31, 1999

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Investment Summary - Market Value <i>(amounts in millions)</i>									
Asset	This Month		One Year Ago		Three Years Ago		Five Years Ago		
Domestic Equity	\$	48,352	43.7%	\$	41,327	44.3%	\$	22,357	32.9%
International Equity		30,299	27.4%		19,872	21.3%		12,098	17.8%
Fixed Income		25,029	22.6%		26,102	28.0%		25,478	37.5%
Global Asset Allocators	N/A	N/A		1,198	1.3%		2,587	3.8%	1,667
Private Equity		6,364	5.7%		4,266	4.6%		3,062	4.5%
Liquidity		643	0.6%		582	0.6%		2,320	3.4%
Total Market Value	\$	110,687	100.0%	\$	93,347	100.0%	\$	67,902	100.0%

Performance Returns for Major Asset Categories						
Asset	Month	Fiscal YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity	7.31	10.03	22.70	25.04	26.33	17.35
Int'l Equity	10.59	23.58	36.08	16.40	14.42	N/A
Fixed Income	-0.84	-0.41	-4.09	6.12	8.86	8.44
Real Estate	N/A	N/A	12.60	17.38	14.97	6.31
Alternative Investments	N/A	N/A	31.98	26.96	27.67	17.97
Liquidity	0.50	2.94	5.74	5.97	6.01	5.90
Total Fund	5.68	10.70	18.30	17.26	17.32	12.67
Indicies						
Domestic Equity Custom	6.38	8.57	20.90	25.52	26.97	17.54
MSCI AC ex US	9.54	22.17	30.91	15.20	12.39	7.29
Salomon LPF	-0.84	-0.45	-3.96	5.74	8.47	8.41
Real Estate Custom	N/A	N/A	11.56	13.12	11.25	5.66
T-Bill	0.43	2.44	4.73	5.01	5.20	5.05
Consumer Price Index	0.00	1.28	2.70	2.01	2.37	2.93
Wilshire 5000	7.59	10.45	23.56	26.04	27.06	17.59
Russell 3000	6.38	8.57	20.90	25.53	26.94	17.69
MSCI EAFE	8.98	22.12	26.96	15.74	12.83	7.01
LB Gov / Corp	-0.61	0.12	-2.15	5.54	7.60	7.66

Allocations of Cash and Reallocations of Assets <i>(does not include changes in the market value)</i>		
	Current Month	Past 12 Months
Cash Inflow:		
Contributions & misc receipts	\$ 295.0	\$ 3,725.7
Less: Benefits & misc. payments	\$ (292.8)	\$ (3,588.3)
Investment Income	\$ 204.1	\$ 2,986.6
Total Cash Inflow	\$ 206.3	\$ 3,124.0
Cash Allocation:		
Domestic Equity	\$ (348.2)	\$ (1,625.8)
International Equity	\$ 24.2	\$ 1,686.0
Fixed Income	\$ 727.7	\$ 1,552.4
Global Asset Allocators	\$ -	\$ (58.8)
Private Equity	\$ 397.1	\$ 1,575.6
Liquidity	\$ (594.5)	\$ (5.4)
Total Cash Allocation	\$ 206.3	\$ 3,124.0

<i>Asset Allocation Percentage</i>				
Assets	Actual	Target	Difference	Range
Public Equity	67.2%	63.0%	4.2%	57 - 69
Public Fixed Income	23.2%	27.0%	(3.8%)	23 - 32
Private Equity	9.7%	10.0%	(0.3%)	8 - 12
Total Investment Assets	100.0%	100.0%		
<i>Which can be compared to the strategic targets</i>				
Active - Domestic Equity	8.2%	7.6%	0.6%	6 - 9
Passive - Domestic Equity	35.5%	30.4%	5.1%	29 - 41
Allocated Not Funded	-3.9%	0.0%	(3.9%)	
TOTAL DOMESTIC EQUITY	39.8%	38.0%	1.8%	35 - 41
Active - International Equity	10.9%	12.5%	(1.6%)	11 - 14
Passive - International Equity	16.5%	12.5%	4.0%	11 - 14
TOTAL NON-US EQUITY	27.4%	25.0%	2.4%	22 - 28
TOTAL PUBLIC EQUITY	67.2%	63.0%	4.2%	57 - 69
Real Estate	2.8%	5.0%	(2.2%)	
Alternative Investments	2.9%	5.0%	(2.1%)	
Allocated Not Funded	3.9%	0.0%	3.9%	
TOTAL PRIVATE EQUITY	9.7%	10.0%	(0.3%)	8 - 12
Passive - Domestic Fixed Income	21.6%	26.0%	(4.4%)	23 - 29
Active - Other Fixed Income	1.1%	0.0%	1.1%	
TOTAL FIXED INCOME	22.6%	26.0%	(3.4%)	23 - 29
Liquidity	0.6%	1.0%	(0.4%)	0 - 3
TOTAL FIXED & LIQUIDITY	23.2%	27.0%	(3.8%)	23 - 32
TOTAL INVESTMENT ASSETS	100.0%	100.0%		

California State Teachers' Retirement System
Off Balance Sheet Transactions
For the period ended December 31, 1999

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<i>Currency Hedging - Market Value (amounts in millions)</i>					
Managers	Pacific Basin		European		Total
Active International	\$4,639.53	-4.4%	\$ 6,492.36	0.0%	\$11,131.89 -1.8%
Passive International	\$5,778.29	-27.2%	\$ 10,494.09	0.0%	\$16,272.38 -9.7%
* Does not include emerging market securities, Canadian stocks, cash or accruals.					

<i>Currency Realized Gains/(Losses) (amounts in millions)</i>			
Managers	Currency Realized Gains/(Losses)		
	1 Month	1 Year	Since Inception
Active International	(\$1.16)	(\$16.48)	\$75.41
Passive International	(\$24.67)	(\$102.56)	\$378.10

<i>Securities Lending Income</i>			
Asset	Current Fiscal Year 7/99 - 12/99	vs.	Prior Fiscal Year 7/98 - 12/98
Domestic Equity	\$6,206,647		\$5,831,548
International Equity	\$13,082,865		\$15,296,799
US Treasury	\$7,064,429		\$9,010,057
Other Fixed Income Securities	\$356,128		\$1,025,907
Total Income	<u>\$26,710,069</u>		<u>\$31,164,311</u>

<i>Securities Lending (On-Loan/Collateral Summary)</i>			
Asset	Securities On-Loan	Collateral Valuation	Percent
Domestic Equity	\$2,992,997,353	\$3,085,185,482	103%
International Equity	\$4,908,666,361	\$5,159,571,798	105%
US Treasury	\$6,791,611,350	\$6,955,478,883	102%
Other Fixed Income Securities	\$263,280,284	\$269,513,520	102%
Total Value	<u>\$14,956,555,349</u>	<u>\$15,469,749,682</u>	103%

California State Teachers' Retirement System

Attachment 2

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Monthly Investment Summary

	Market Value		Market Value		Market Value	
	11/30/1999	Market %	12/31/1999	Market %	Difference	% Diff.
<i>Liquidity</i>						
Cash Allocation	1,091,352,101		498,404,467		(592,947,633)	
US Cash Equitization	137,323,758		145,384,537		8,060,779	
Total Liquidity	1,228,675,858	1.17%	643,789,004	0.58%	(584,886,854)	(0.59%)
<i>Domestic Equity</i>						
Active						
Ariel Capital	281,541,780		298,610,749		17,068,969	
Bank of America	484,901,720		523,352,781		38,451,061	
BGI - Enhanced	510,755,845		540,946,595		30,190,750	
Brinson Partners	503,783,710		498,114,572		(5,669,138)	
Brown Capital Management	455,213,111		476,825,037		21,611,926	
Delaware Investment Adv	426,100,226		424,905,277		(1,194,949)	
Delphi Management, Inc	162,476,071		172,087,965		9,611,894	
Denver Investment Advisors	658,855,496		802,260,430		143,404,935	
DSI International Management	710,825,077		754,593,275		43,768,198	
First Quadrant	475,937,754		505,634,421		29,696,667	
Mellon Capital Management	644,569,615		679,252,356		34,682,741	
NCM Capital Management	641,069,619		711,918,165		70,848,546	
Putnam Investments	533,805,501		620,807,002		87,001,500	
Sasco Capital	540,102,274		554,664,720		14,562,446	
SSgA - Enhanced	704,321,618		742,148,581		37,826,963	
TCW Asset Manangement Co	556,830,226		712,766,793		155,936,567	
Passive						
BGI Extended Market Index	6,065,015,749		6,680,273,049		615,257,300	
BGI S&P 500 Index	19,172,215,355		17,776,923,919		(1,395,291,436)	
STRS S&P 500 Index	11,932,519,146		14,849,430,096		2,916,910,949	
Transition						
STRS Domestic	1		26,051,549		26,051,548	
Total Domestic Equity	45,460,839,893	43.38%	48,351,567,330	43.68%	2,890,727,437	0.30%
<i>International Equity</i>						
Active						
Bank of Ireland Asset Management	991,736,911		1,097,853,661		106,116,750	
Battery March Financial Mgmt Inc.	330,083,127		361,791,405		31,708,277	
Blackrock, Inc.	222,930,355		241,616,210		18,685,855	
Brinson Partners Non-USEQ	492,491,608		538,585,189		46,093,581	
Capital Guardian Trust	1,542,939,108		1,793,569,899		250,630,790	
Delaware Int'l Advisors Inc.	310,790,651		335,039,097		24,248,446	
Fiduciary Trust	795,691,309		919,738,387		124,047,079	
Lazard Freres	949,497,703		1,030,294,368		80,796,665	
Marvin & Palmer Assoc, Inc.	437,796,688		531,786,136		93,989,448	
Morgan Stanley	893,784,296		984,945,593		91,161,297	

California State Teachers' Retirement System

Attachment 2

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Monthly Investment Summary

	Market Value		Market Value		Market Value	
	11/30/1999	Market %	12/31/1999	Market %	Difference	% Diff.
Newport Pacific Mgmt	429,882,089		472,716,142		42,834,053	
Nicholas-Applegate Capital Mgmt	482,143,833		575,105,201		92,961,368	
Oechsle International	1,155,403,115		1,328,341,578		172,938,462	
Schroder Capital	724,471,421		766,259,931		41,788,510	
Scudder, Stevens & Clark	927,150,012		1,044,037,985		116,887,973	
Passive						
BGI - Europe	9,393,199,676		10,434,522,933		1,041,323,257	
BGI - Pacific	5,442,198,561		5,798,058,358		355,859,797	
SSgA Emerging Market Index	1,853,602,382		2,044,568,918		190,966,536	
Transition						
STRS International	217,171		217,379		208	
Total International Equity	27,376,010,015	26.13%	30,299,048,368	27.37%	2,923,038,353	1.25%
Fixed Income						
Corporate Bond Index	7,665,592,147		7,957,026,093		291,433,945	
Mortgage Backed Security Index	7,260,397,420		7,564,321,157		303,923,737	
Mortgage Loan	489,446,995		462,199,386		(27,247,609)	
US Treasury & Agency Index	9,176,864,239		9,045,835,113		(131,029,126)	
Total Fixed Income	24,592,300,802	23.47%	25,029,381,749	22.61%	437,080,947	(0.86%)
Real Estate						
CB Richard Ellis	1,043,367,333		1,175,437,699		132,070,366	
Clarion Partners, LLC	34,090,470		88,487,392		54,396,922	
Heitman Capital Management	1		28,265,953		28,265,952	
Lend Lease	846,753,397		935,804,421		89,051,023	
MIG Realty Advisors	152,781,004		187,527,502		34,746,498	
Sentinel Realty Advisors	1		17,351,316		17,351,315	
Special Situations	482,189,614		465,454,441		(16,735,172)	
SSR Realty Advisors	216,026,144		216,513,629		487,485	
Total Real Estate	2,775,207,964	2.65%	3,114,842,352	2.81%	339,634,389	0.17%
Alternative Investments						
Limited Partnerships	3,351,833,665		3,248,150,125		(103,683,540)	
Total Alternative Investments	3,351,833,665	3.20%	3,248,150,125	2.93%	(103,683,540)	(0.26%)
Grand Total	<u>104,784,868,198</u>	100.00%	<u>110,686,778,930</u>	100.00%	<u>5,901,910,732</u>	

PLEASE NOTE:

All Figures Include Accruals

The Information contained in this report is UNAUDITED

Member Home Loan Securitization Principal Balance as of 12/31/99 is \$132,109,308

The Internally Managed Cash Collateral Portfolio is NOT included above.

The Net Asset Value as of 12/31/99 is \$2,668,629,960

California State Teachers' Retirement System
Internal S&P 500 Indexed Portfolio Return

The California State Teachers' Retirement System's internal S&P 500 indexed portfolio (Portfolio) was \$14,849,430,096 as of December 31, 1999. The performance objective of the Portfolio is to closely track the return of the S&P 500 Index. Table 1 shows the relative performance of the Portfolio. For the 12 month period ending December 31, 1999, the Portfolio's outperformance versus the benchmark was 0.124% (12.4 basis points).

Table 1: S&P 500 Performance

Period	Portfolio Return	Index Return	Variance
3/31/98 – 12/31/98	12.892	12.975	-0.083
12/31/98 – 12/31/99	21.111	20.987	+0.124

Portfolio return calculated by State Street Bank Analytics.

The total return for the Index was calculated by Wilshire Associates.